

**TAB**

The following are extracts from Department of Defense standard pricing policy regulations:

Department of Defense Directive #7510.1

IV. POLICY

A. Standard prices

1. It will be policy to use standard prices for all items of materiel covered by this directive for purposes of inventory accounting and as the basis for pricing of all sales or issues for any purpose, including consolidated (but not direct-citation) procurement as well as deliveries from stock - interdepartmental, intradepartmental, the Military Assistance Program, etc. Reductions in such standard prices for sales or issues of items are appropriate under certain conditions, as hereinafter set forth. Standard prices shall be regularly published by the respective agencies responsible for their establishment. Accessorial charges for issues or sales, in addition to standard prices, are appropriate generally.
2. Standard prices shall be established for each item of materiel to include:

- a. The current purchase or production cost of the item at the time the price is established.
- b. First-destination transportation costs.

The expense of procurement (including inspection), warehousing, redistribution, repacking and handling, or other functions of supply administration shall not be included in the standard prices. There shall be one standard price for each item -- price reductions for condition at time of sale shall not affect standard pricing for inventory purposes.

3. As a general rule, standard prices for items being currently procured should be reviewed normally once a year and revised when significant changes occur. If no future procurement is planned for an item, the standard price established upon the basis of most recent procurement would continue to be used without change. Suitable criteria will be developed by the departments in order that reviews

and revisions of standard prices will not result in unproductive work. The frequency of review and revision of standard prices of items will depend on the degree of variation from the previously established standard price and the latest actual contract or production costs, and relative investment in inventory.

4. While this directive shall not be construed as modifying basic departmental assignments of responsibilities relative to establishment of prices, or to technical guidance of fiscal, procurement, or supply activities within the departments relative to pricing, it is the policy that department-wide standard prices normally shall be established by the inventory control point having cognizance of the major materiel category. This does not preclude the establishment of standard prices by other activities for authorized installation purchases.

Department of Army Regulation #735-7

4. Objectives of standard pricing. The principle of standard pricing has been adopted for all items covered by these regulations because it --

- a. Provides advantages over other inventory pricing methods in promoting uniformity, accuracy, and simplicity in both the accounting and inventory control functions.
- b. Facilitates the preparation of budget estimates but does not preclude the use of budget price projections in determining such estimates.
- c. Provides the basis for reimbursement of Army appropriations in such dollar amounts as are necessary to recoup the cost of materiel sold.
- d. Establishes a means for determining the value of Army inventories at the current economic level.
- e. Provides that recoveries by the stock fund, upon the sale of supplies, will be in such approximate dollar amounts as are needed to replace the item in inventory, when required.

5. Review and revision of standard prices. a. The objectives stated in paragraph 4 are dependent on standard prices that reasonably reflect current procurement costs. Obviously it would be impractical to review and revise the standard prices of the hundreds of thousands of items in the Army Supply System so that they would always reflect current procurement costs. Such a system would result in cumbersome and costly price administration and would defeat the advantages of the standard pricing method. To avoid such a tremendous workload and still retain the standard pricing method with its advantages, it is necessary that criteria be established to determine what prices should be reviewed and when a revision is necessary.

b. The following policy is established regarding the review of standard prices. Only the standard prices of items for which a representative procurement action has been taken during the year will be reviewed for price revision purposes. This review may be made at the time the representative procurement is made or it may be made at the time of a regularly scheduled annual price review. In any event, standard prices for such items will be reviewed at least once a year and will be revised and disseminated in appropriate publication media, when changes or additions occur under the criteria delineated in c below. Generally speaking there should be no more than one price change per item per year; items covered by d, e, and f below are exceptions. The above does not preclude the publication of changes more frequently where, under the following conditions, changes or additions occur which warrant earlier dissemination to the user:

- (1) When new items coming into the supply system have not been priced.
- (2) When changes in unit of measure or other changes affect the standard price.
- (3) When published standard prices are determined to be grossly in error and in excess of the criteria contained in c below.

#### Navy Basic Supply Principles #21182

##### **21180 POLICY**

Navy wide standard prices as defined in par. 24132-1a will be established for all centrally controlled items of standard stock in the Navy Supply System except as provided in par. 21184. Standard prices

CONFIDENTIAL

will be used for accounting, taking of inventory, and invoicing except when reduced prices are applicable, in accordance with pars. 21132-8 and 21184-1. Standard prices also will be used as a base in computing credit allowances for repairable Navy Stock Account items returnable to store with credit (see par. 21183), and in pricing of deliveries under consolidated reimbursable procurement even though the procurement contracts concerned are subject to contingencies of price revision.

#### 21181 OBJECTIVE

The objective of standard prices is that all items for which there are current procurement requirements will be priced at current replacement cost plus the following:

1. costs of initial preservation and packaging;
2. surcharges for transportation as specified in par. 21182;
3. in the case of Navy Stock Account material, surcharges for foreseeable losses and authorized expenses in accordance with par. 21182.

#### 21182 COMPUTATION OF STANDARD PRICES

1. GENERAL. Standard prices will be computed by determining replacement cost, including the cost of initial preservation and packaging and by applying thereto the surcharge rate for transportation when applicable, and the surcharge rate for foreseeable losses and authorized expenses in the case of Navy Stock Account material. The Bureau of Supplies and Accounts after consultation with supply demand control points will prescribe transportation and loss surcharge rates on material under supply demand control point management.

### Air Force, AFM 67-1, Vol 1

#### 26. PRICING OF CENTRALLY PROCURED GSEF ITEMS

a. "Standard Prices" will be used to compute the basic monetary value of all GSEF items on stock records. In addition the "Standard Price" will be used for effecting reimbursements for all sales of GSEF items, except for excesses and when deviation is authorized by Headquarters, Air Materiel Command.

**CONFIDENTIAL**

b. Each air material area and depot will establish and control "Standard Prices" for all GSSF items within their assigned commodity classes.

c. Standard prices for GSSF items will be published in the applicable USAF Supply Catalog or Stock List.

d. Pricing Basis.

(1) The "Standard Price" for GSSF will, in addition to the current replacement market price and first destination transportation costs, include a surcharge to compensate for net foreseeable losses and authorized expenses relating to such items.

(2) The current replacement market price will be determined by the commodity class manager in the manner outlined in paragraph 4, section 31. First destination transportation costs will be applied in accordance with paragraph 4a(2)b, section 31, if it is not included in the contract cost.

(3) The surcharge percentage factor to compensate for foreseeable net inventory losses and authorized expenses related to such items will be developed by the CM. After necessary approval by higher authority, the surcharge will be applied by all GSSF items in the applicable commodity class by the commodity class manager.

(4) No reduction in the standard price will be made for items in less than new condition or for limited standard items.

(5) The commodity class manager will maintain that back-up data deemed necessary to support an established standard price.

e. Rounding-Off Prices. Standard prices established for GSSF items in accordance with the aforementioned policy will be rounded-off in accordance with the following formula:

EXAMPLE			
Unit Prices	Rounded-Off to Nearest	Act. Unit Cost	Est. Unit Cost
\$ .01 to \$ .99	\$ .01	\$ .856	\$ .86
\$ 1.00 to \$ 9.99	\$ .05	\$ 7.48	\$ 7.50
\$ 10.00 to \$99.99	\$ .25	\$ 63.60	\$ 63.50
\$100.00 or over	\$1.00	\$549.38	\$549.00

CONFIDENTIAL

f. Review of Standard Prices. The standard price for GSSF items will be reviewed at least annually on a schedule established by the commodity class manager.

g. Revision of Standard Prices. The standard prices will be revised when the following conditions exist:

(1) The standard price will be revised at the time of the scheduled review provided the rounded-off standard price has increased or decreased more than 20 percent, and/or, if the annual sales of the item is in excess of \$10,000, regardless of the percent of unit price increases or decreases. The standard price will not be revised if the change is of lesser significance.

(2) Under unusual circumstances, in order to prevent excessive profits or losses by the stock fund and/or to avoid excessive overcharges or undercharges to individual stock fund customers, the standard price may be revised as required.

h. Publishing of Price Changes. USAF Stock Lists will be the official media for publishing standard prices of GSSF centrally procured items. Standard price changes will not be disseminated by transceiver.

TOP SECRET  
CONFIDENTIAL